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OUTLOOK

FOR THE ECONOMY AND REAL ESTATE

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Outlook For The Economy and Real Estate

Aggregate Economy

After very rapid economic growth in the first two quarters of 1984, there are now definite signs that the sharp increases in interest rates that occurred from February through June are slowing the pace of the recovery. In July the index of leading economic indicators fell 0.8 percent, the second consecutive monthly decline. Most of the July decline was due to a decrease in building permits reflecting a slowing in the interest sensitive housing sector. Retail sales fell 0.9 percent in July following three months of increases. In August, the seasonally-adjusted level of employment in non-farm establishments rose by 160,000 compared to an average increase of about 350,000 during the first six months of this year.

After increasing at an annualized rate of 10.1 percent in the first quarter and 7.5 percent in the second quarter of 1984, real Gross National Product (GNP) is likely to rise 5 to 5-1/2 percent during the third quarter and about 3 percent in the fourth quarter. As interest rates remain at high levels through mid-1985, growth of overall economic activity should continue to slow. In fact, there is a serious risk that continued high interest rates over the next twelve months could trigger a mild recession during the second half of 1985.

This forecast assumes either no strike by the UAW or a strike lasting no more than two weeks. A strike in the automobile industry lasting more than two weeks would substantially reduce the fourth quarter growth rate. However, some of this lost output would then be made up during the first and second quarters of 1985.

Employment and Inflation

The civilian unemployment rate held at 7.5 percent in August, the same as in July, amid conflicting movements in the two major employment series. Based on a survey of households, the seasonally-adjusted level of employment fell by 426,000 during the month with a roughly equal decline in the labor force. Based on the more reliable survey of non-farm business establishments, the seasonally-adjusted level of employment rose by 159,000 in August. It appears that conditions in labor markets continue to improve but that the rate of improvement is modest compared to the first six months of this year. The unemployment rate is likely to decline over the remaining months of this year, falling to a low of about 7 percent. However, as the overall rate of economic growth continues to slow through 1985 the unemployment rate should begin rising again.

Inflation remains at relatively low levels although there have been recent indicators that the rate of inflation may be accelerating. In July the Consumer Price Index (CPI) rose at a seasonally-adjusted annual rate of 3.5 percent, up from June's annual rate of 2.0 percent. Also in July the Producer Price Index rose at a seasonally-adjusted annual rate of 3.7 percent after having registered no change in the preceeding three months.

As the level of capacity utilization continues to rise while labor markets tighten, the outlook is for a gradually accelerating rate of inflation. Compared to the annualized rate of 3.7 percent during the second quarter, the CPI should increase at an annualized rate of about 4-1/2 percent by the fourth quarter of this year. As the economy slows during 1985 the inflation rate should stabilize but then resume its upward trend during 1986 as economic growth picks up again.

In recent weeks there has been some discussion in the media about the possibility that the economy may experience a period of deflation, where prices actually fall, as opposed to disinflation where the rate of inflation slows. The cause of this deflation would be a sudden and severe downturn of the economy prompted by the tight monetary policies of the Federal Reserve Board (FED). As evidence, proponents of this possibility point to a 10.8 percent May through July decline in a Dow Jones index of 13 commodity prices.

However, it should be noted that this index covers only twelve commodities, seven of which are agricultural. Agricultural commodity prices have fluctuated a great deal in the past year or so due to extreme weather conditions around the world and the higher value of the U.S. dollar. Moreover, prices of some agricultural commodities are currently falling since developing countries are flooding markets with all types of commodities in order to generate foreign exchange earnings with which to meet interest payments on loans from the industrialized countries. Indeed, a different index of prices of thirty-nine nonfood, nonenergy commodities published by the U.S. Department of Labor as part of the Producer Price Index has fallen only 0.4 percent over the May through July period and has risen about 18 percent since the beginning of the current recovery. In conclusion, commodity prices have been and will continue to be volatile. Short-run fluctuations in narrow indices of commodity prices are unreliable as predictors of future trends. At this time the possibility of the economy entering a period of deflation is remote.

Monetary Policy and Interest Rates

Short-term interest rates continued to edge upward during August while continued confidence in bond markets brought long-term rates down. The federal funds rate, the interest rate banks charge each other for loans of reserves at the FED, averaged 11.64 percent in August compared to 11.23 percent in July. Similarly, the rate on 3-month Treasury bills rose from 10.12 percent in July to 10.47 percent in August. In contrast, the interest rate on 30-year Treasury bonds fell 67 basis points to average 12.54 percent for all of August.

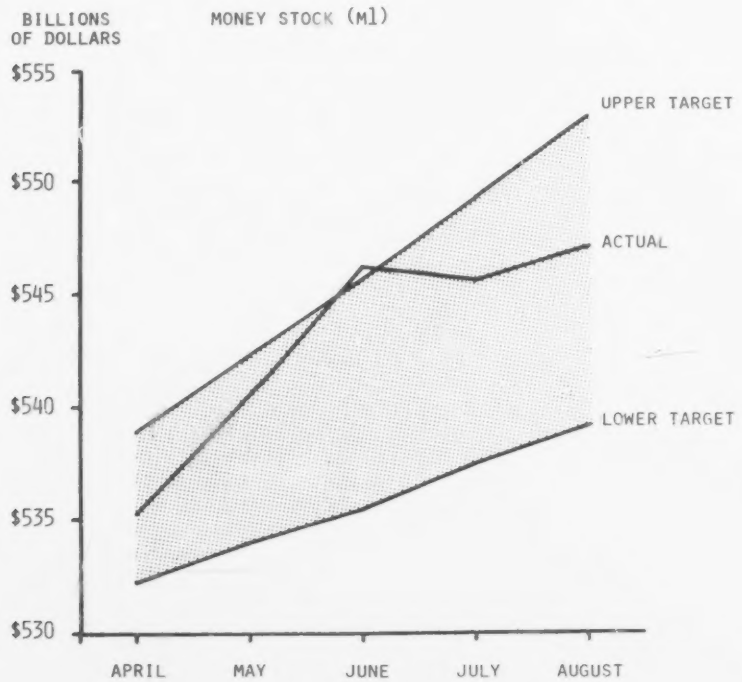
Table 1

Selected Interest Rates

Month		3-Month Treasury Bill	1-Year Treasury Bill	30-Year Treasury Bonds	Aaa Corporate Bonds	Fixed Rate Mortgage	Adjustable Rate Mortgage
1984:	JAN	8.90	9.90	11.751	12.20	13.85	12.00
	FEB	9.09	10.04	11.95	12.08	13.69	11.85
	MAR	9.52	10.59	12.38	12.57	13.85	11.73
	APR	9.69	10.90	12.65	12.81	14.12	11.90
	MAY	9.83	11.66	13.43	13.28	14.35	12.04
	JUN	9.87	12.08	13.44	13.55	14.97	12.56
	JUL	10.12	12.03	13.21	13.44	15.23	12.94
	AUG	10.47	11.82	12.54	12.87	15.01	12.90

After growing very rapidly during the second quarter, the growth rate of M1 has subsided and it is now well below the FED's upper target range (see Diagram 1). The rapid growth during the spring was due to a sharp increase in consumer and business loans which were quickly converted to checkable deposits. However, increases in short-term interest rates and the slowing of the economy have dampened demand for loans during the past two months, causing a slowing of M1 growth. Both M2 and M3, which are broader definitions of the money supply, are also well below the FED's upper target range at this time.

Diagram 1



Apparently prompted by the slowing growth of both M1 and the economy, there is recent evidence that the FED is attempting to prevent further increases in the federal funds rate for the time being by actively supplying reserves to the banking system. This should stem further increases in short-term rates and may cause both short- and long-term interest rates to decline somewhat over the next few weeks. Indeed, both shortand long-term interest rates have declined somewhat during the first half of September. Our best guess is that the FED has decided to stabilize interest rates temporarily in order to get a better reading on how the economy is performing. Also, the FED is particularly sensitive about interest rate increases during this presidential campaign season. While the FED clearly does not want the economy to overheat, it does not want the economy to overcool either. However, given the FED's goal of keeping money growth within its stated target ranges, the FED will be unable to prevent a further runup of interest rates later this year and through 1985 due to increasing private credit demands and the federal government's need to finance the deficit and the rapidly growing net debt.

Real Estate Markets

Activity in housing markets continued to decline in July due to increases in mortgage interest rates over the period from March through July of this year. Sales of existing homes declined 6.1 percent from June to July to a seasonally-adjusted annual rate of 2.78 million units, the lowest level since November of 1983. The July decline was the third consecutive monthly drop after home resale activity reached an annual pace of 3.09 million units in April. Total housing starts fell 6.6 percent from June to July to a seasonally-adjusted annual rate of 1.761 million units. Single-family starts fell 10.1 percent while multi-family starts fell 1.9 percent.

In August, effective commitment rates for fixed rate mortgage loans declined about one-quarter percentage point from the previous month to 15 percent while commitment rates on adjustable rate loans were essentially unchanged at 13 percent.

Both existing home sales and total housing starts are likely to trend downwards during the remainder of this year and through mid- to late-1985. For all of 1984 about 2.8 million existing single-family homes should change hands, falling to about 2.5 million units in 1985. Housing starts should total about 1.78 million units for 1984 and then decline to about 1.5 million units in 1985. Improvements in both existing home sales and housing starts should be forthcoming in 1986.

The various components of nonresidential construction continue to exhibit different trends. Construction of retail buildings, which increased strongly in 1983 due to strong growth of residential investment, should reach 400 million square feet in 1984 and stay at that level in 1985. Construction of new industrial buildings is expected to surge by 30 percent to 140 million square feet this year and then increase another 10 percent in 1985. Due to the oversupply of office space in some sections of the country, construction of new office space is expected to decline 2 percent to 275 million square feet for 1984 and then fall 27 percent to 200 million square feet in 1985.

Table 2

Commercial and Industrial Building Contracts

	Retail Buildings		Office Buildings		Industrial Buildings	
	millions of sq ft	percent change	millions of sq ft	percent change	millions of sq ft	percent change
Year						
1981	337	-11%	325	+15%	187	-13%
1982	245	-27%	261	-20%	118	-37%
1983	362	+48%	281	+ 8%	107	- 9%
1984[f]	400	+10%	275	- 2%	140	+31%
1985[f]	400	0%	200	-27%	154	10%

Source: DRI Review of the Economy, August 1984

Table 3

SEPTEMBER 1984

U.S. ECONOMIC OUTLOOK

	QUARTERS								YEARS				
	Actual	Forecast							Actual		Forecast		
	84:2	84:3	84:4	85:1	85:2	85:3	85:4	86:1	1982	1983	1984	1985	1986
AGGREGATE ECONOMY													
Gross National Product ($ billions)	3,648	3,728	3,794	3,857	3,909	3,950	3,995	4,056	3,069	3,305	3,681	3,928	4,175
Percent Change	11.1	9.1	7.3	6.8	5.5	4.3	4.6	6.2	3.8	7.7	11.4	6.7	6.3
Percent Change (without inflation)	7.6	5.3	3.0	2.0	1.0	-0.1	-0.5	1.1	-2.1	3.7	7.3	2.3	1.2
Consumption	7.5	3.9	4.2	3.2	1.5	0.9	0.6	0.7	1.4	4.8	5.7	3.0	1.4
Durables	11.3	2.1	7.1	5.9	-2.1	-3.4	-3.7	-1.7	-0.3	12.1	13.3	2.6	-0.1
Nondurables	10.3	5.6	3.3	2.5	2.0	1.6	1.2	0.9	0.6	3.7	5.7	3.2	1.4
Services	3.9	3.3	3.9	2.9	2.4	1.9	1.7	1.5	2.5	4	3.1	2.9	1.9
Residential Investment	2.0	-8.3	-17.9	-17.0	-12.9	-2.1	3.1	11.6	-15.0	41.7	10.8	-11.3	7.5
Nonresidential Investment	22.8	13.8	9.2	7.8	5.1	3.0	1.2	0.9	-4.7	2.5	20.2	8.0	1.9
Structures	25.7	18.0	8.9	7.8	3.9	3.0	1.8	1.5	0.2	-7.8	18.0	8.4	2.2
Equipment	21.8	12.1	9.3	7.7	5.6	3.0	1.0	0.7	-6.8	7.3	21.0	7.9	1.8
Exports	5.9	6.4	5.9	5.6	5.5	4.7	4.4	4.6	-7.8	-5.6	6.2	5.8	5.1
Imports	7.2	13.0	10.9	8.8	9.3	6.0	4.7	3.9	1.3	7.6	25.1	9.1	4.7
Government Purchases	19.2	2.5	3.0	-0.8	2.6	2.7	2.2	1.5	2.0	-0.3	3.0	2.7	2.1
Consumption (% of GNP)	64.8	64.6	64.8	65.0	65.0	65.2	65.4	65.3	65.1	65.8	64.7	65.2	65.3
Residential Investment (% of GNP)	3.7	3.6	3.4	3.2	3.1	3.1	3.1	3.2	2.6	3.5	3.6	3.1	3.3
Nonresidential Investment (% of GNP)	12.4	12.6	12.8	13.0	13.1	13.2	13.3	13.3	11.3	11.1	12.5	13.2	13.3
Structures (% of GNP)	3.5	3.6	3.6	3.7	3.7	3.8	3.8	3.8	3.6	3.2	3.5	3.7	3.8
Equipment (% of GNP)	8.9	9.1	9.2	9.3	9.4	9.5	9.5	9.5	7.7	7.9	8.9	9.4	9.5
Inventory Change ($ billions)	48.5	62.0	60.9	61.9	59.7	46.7	31.6	30.0	-26.1	-13.5	61.3	50.0	29.6
Mfg. Capacity Utilization Rate (%)	82	83	83	83	82	81	80	80	71	75	82	82	80
Auto Sales (millions of units)	10.7	10.5	10.6	10.7	10.4	10.2	10.0	10.0	8.0	9.2	10.6	10.3	10.1
Domestic (% of total)	77.3	74.2	74.6	76.6	75.1	72.7	71.1	71.1	72.3	74.0	76.0	73.9	71.2
Imported (% of total)	22.7	25.8	25.4	23.4	24.9	27.3	28.9	28.9	27.9	26.0	24.0	26.1	28.8
Manufacturing Industrial Production (% change)	8.5	8.1	5.0	3.4	-0.5	-2.0	-1.7	1.3	-8.5	7.8	11.7	2.8	1.3
Common Market	-4.0	3.9	9.3	1.2	1.5	3.0	1.1	0.9	-1.4	0.2	3.4	2.9	1.6
Japan	11.1	5.0	8.8	7.4	1.7	2.6	5.2	4.6	0.4	3.5	10.8	5.7	3.6
Employment(millions)(civilian:household basis)	105.1	106.0	107.0	107.6	107.9	108.1	108.1	108.1	99.5	100.8	105.5	107.9	108.6
Unemployment Rate (%) (civilian)	7.5	7.3	7.1	7.1	7.2	7.5	7.8	8.1	9.7	9.6	7.4	7.4	8.3
Personal Income per Household (average)<1>	38,245	39,104	39,715	40,316	40,861	41,363	41,893	42,446	33,698	35,461	38,653	41,108	43,489
Percent Change -- Year Ago (w/o inflation)	5.7	6.7	5.4	3.9	2.7	1.3	0.9	0.5	-0.5	1.5	5.7	2.2	0.8
Personal Taxes per Household (average)	6,902	7,103	7,230	7,342	7,451	7,554	7,671	7,920	6,443	6,486	6,995	7,505	8,162
Percent Change -- Year Ago (w/o inflation)	1.2	7.1	6.3	4.8	3.6	1.8	1.3	2.9	-2.1	-3.0	3.9	2.9	3.6
Percent of Personal Income	18.8	19.0	19.0	19.0	19.1	19.1	19.1	19.5	19.9	19.1	18.9	19.1	19.6
Disposable Income per Household (average)	31,341	32,001	32,485	32,974	33,410	33,809	34,221	34,526	27,256	28,975	31,657	33,604	35,327
Percent Change--Year Ago (w/o inflation)	6.6	6.4	5.1	3.6	2.6	1.3	0.8	0.0	-0.1	2.5	6.0	2.1	0.2
Household Interest Payments (% of total)	10.7	10.3	10.3	10.3	10.4	10.7	10.7	10.5	9.6	9.8	10.4	10.5	10.3
Net Worth per Household (average)	75,972	77,124	78,969	80,521	81,915	83,489	85,337	87,466	66,444	74,178	76,851	82,816	91,186
Percent Change -- Year Ago (w/o inflation)	-1.6	-1.1	1.1	2.9	3.4	3.6	3.2	3.7	-1.8	7.5	-0.2	3.3	4.9
Consumer Price Inflation (CPI)	3.7	3.9	4.6	4.7	4.9	4.7	5.0	5.4	6.2	3.2	4.3	4.6	5.2
Gross National Product Inflation (GNP Deflator)	3.2	3.6	4.1	4.7	4.5	4.5	5.1	5.1	6.0	3.8	3.8	4.3	5.0
Personal Consumption Inflation	2.0	3.0	4.0	4.2	4.6	4.5	4.7	5.1	5.9	3.7	3.1	4.0	4.9
Residential Construction Inflation	11.1	5.4	5.1	4.9	5.1	5.2	5.7	6.4	3.0	1.7	4.3	5.5	6.2
Nonresidential Construction Inflation	1.8	2.4	5.0	6.0	6.4	6.6	6.9	7.3	4.9	-1.0	0.5	5.3	7.1
Producers Price Inflation (WPI)	2.4	1.5	3.8	3.2	4.4	3.9	4.5	4.7	2.0	1.3	2.9	3.4	5.0
Compensation per Manhour (% change)	3.4	5.7	5.7	6.7	5.6	5.7	6.1	7.0	8.0	4.8	4.5	5.8	6.3
Productivity (% change)	3.1	2.1	1.9	1.4	1.0	0.6	0.6	1.0	0.2	3.4	2.7	1.5	1.0
Unit Labor Cost (% change)	0.3	3.6	3.7	5.2	4.6	5.1	5.5	5.9	7.8	1.3	1.8	4.3	5.3
Unit Capital Cost (% change)	4.7	4.6	4.5	4.4	4.3	4.2	4.0	3.9	9.5	6.9	4.7	4.2	3.7
Before Tax Corporate Profits ($ billions)<2>	255	259	263	260	254	243	232	232	181	213	257	247	242
Corporate Tax Liability	102	104	109	108	104	98	92	93	76	86	104	100	98
After Tax Profits	153	155	154	152	149	145	141	139	105	127	153	147	144
Inventory Valuation Adjustment	-7	-10	-15	-17	-21	-22	-23	-24	-9	-11	-12	-21	-29
Capital Consumption Adjustment	52	56	62	70	74	78	82	83	3	33	54	76	85
Profits from Current Production (with IVA, CCA)	198	201	201	205	203	201	200	198	98	149	196	202	200
Adjusted for Inflation (84:1 base)	196	198	196	198	193	189	186	182	105	153	193	191	180
Percent Change - Year Ago	34.2	20.8	10.2	7.0	-1.5	-4.5	-4.9	-7.9	-14.6	46.0	26.6	-1.1	-5.8
Per Unit of Output (% of GNP)	5.4	5.4	5.3	5.3	5.2	5.1	5.0	4.9	3.2	4.5	5.3	5.1	4.8
Effective Corporate Tax Rate (%)<2>	33	33	34	33	32	31	30	31	39	34	33	32	31
Federal Tax Receipts (Unified basis)	748	694	654	662	845	750	686	690	609	613	679	735	800
Percent of GNP	20.5	18.6	17.2	17.2	21.6	19.0	17.2	17.0	19.8	18.6	18.4	18.7	19.2
Federal Expenditures (Unified basis)	845	821	896	922	938	932	974	998	740	803	850	941	1,021
Percent of GNP	23.2	22.0	23.6	23.9	24.0	23.6	24.4	24.6	24.1	24.3	23.1	24.0	24.5
Surplus or Deficit (Unified basis)	-98	-128	-242	-260	-93	-182	-288	-308	-131	-190	-171	-206	-221
% of GNP	2.7	3.4	6.4	6.7	2.4	4.6	7.2	7.6	4.2	5.8	4.7	5.2	5.3
% of Personal Savings	67.1	78.3	152.9	164.1	57.5	108.1	164.1	180.5	97.8	158.1	110.3	123.5	127.2
% of Net Domestic Savings	30.8	37.2	71.9	76.6	27.8	54.2	85.3	93.6	67.3	80.0	52.4	61.0	66.1

<1> Includes personal contributions for social insurance.
<2> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, and Dick Peach.

Table 4

REAL ESTATE AND FINANCIAL MARKETS

	QUARTERS								YEARS				
	Actual	Forecast							Actual		Forecast		
	84:2	84:3	84:4	85:1	85:2	85:3	85:4	86:1	1982	1983	1984	1985	1986
REAL ESTATE MARKETS													
Existing Single-Family Home Sales (thousands)	3,037	2,748	2,648	2,594	2,493	2,400	2,301	2,451	1,948	2,719	2,843	2,447	2,676
Percent Change - Year Ago	*9.2*	*-0.8*	*-3.9*	*-11.8*	*-17.9*	*-12.7*	*-13.1*	*-5.5*	*-17.2*	*39.6*	*4.6*	*-13.9*	*9.3*
Dollar Volume (billions)	263.2	241.6	227.2	226.0	220.3*	216.5	203.0	221.6	156.5	224.5	245.4	216.4	248.2
Existing Home Prices - Median ($1000's)	73.1	75.0	73.6	75.2	76.5	78.4	76.9	79.0	67.7	69.8	73.4	76.7	81.1
Percent Change - Year Ago	4.8	5.5	5.1	4.7	4.6	4.5	4.4	5.0	2.3	3.2	5.1	4.6	5.7
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	672	715	712	736	740	753	729	724	754	633	685	740	719
Percent of Household Income	22	23	22	23	23	23	22	21	28	22	22	23	21
NAR Affordability Index	86.5	79.7	82.5	80.6	79.4	78.5	81.1	80.2	68.4	82.0	83.8	79.9	81.1
New Single-Family Home Sales (thousands)	627	610	590	578	573	566	556	584	417	626	630	568	626
Percent Change - Year Ago	-3.2	3.9	-12.2	-16.4	-8.6	-7.1	-5.7	1.1	-4.3	50.1	0.5	-9.7	10.1
New Home Prices - Median ($1000's)	80.2	81.1	82.2	83.3	84.4	85.6	86.9	88.4	69.3	75.5	80.4	85.1	90.8
Percent Change - Year Ago	6.9	4.5	8.3	6.9	5.3	5.5	5.7	6.1	0.7	8.9	6.5	5.8	6.7
New Home Prices--Mean ($1000's, Quality Adjusted)	93.5	94.6	95.4	97.0	98.3	99.4	100.4	102.4	87.8	89.7	93.6	98.8	104.9
Percent Change - Year Ago	5.4	4.3	5.8	6.6	5.1	5.1	5.2	5.6	2.8	2.1	4.4	5.5	6.2
New Mortgage Commitments ($ billions)	176.2	161.1	153.9	150.7	143.8	134.8	136.0	137.6	64.8	163.4	170.6	141.3	139.0
Percent Change - Year Ago	14.4	-16.1	-6.2	-21.2	-18.4	-16.3	-11.7	-8.6	8.1	152.1	4.4	-17.2	-1.6
Mortgage Debt Outstanding ($ billions)	1,927	1,996	2,065	2,134	2,200	2,265	2,332	2,240	1,629	1,752	1,964	2,233	2,169
Homeowners' Equity ($ billions)	2,765	2,801	2,868	2,923	2,965	3,010	3,058	3,113	2,396	2,580	2,786	2,989	3,210
Housing Inventory (millions)	93.2	93.6	94.0	94.4	94.7	95.0	95.4	95.7	90.6	91.8	93.4	94.9	96.3
Private Housing Starts (thousands)	1,898	1,681	1,552	1,525	1,454	1,480	1,543	1,622	1,056	1,704	1,775	1,500	1,694
Single-Family	1,140	1,021	942	916	873	899	943	991	663	1,066	1,095	908	1,045
Percent of Total	60.0	60.7	60.7	60.1	60.1	60.7	61.1	61.1	62.8	62.6	61.6	60.5	61.7
Multi-Family	759	660	610	609	581	582	600	632	394	637	680	593	649
Percent of Total	40.0	39.3	39.3	39.9	39.9	39.3	38.9	38.9	37.2	37.4	38.4	39.5	38.3
Mobile Home Shipments (thousands)	294	281	279	293	286	287	283	283	240	296	288	287	286
Rental Vacancy Rate (%)	5.5	5.5	5.4	5.4	5.4	5.4	5.4	5.4	5.3	5.6	5.5	5.4	5.4
Unsold New Homes (% of sales)	49.2	56.2	60.2	61.6	60.7	59.4	58.7	58.5	65.2	43.0	52.3	60.1	59.0
Office Vacancy Rate (%)<1>	13.5	11.5	11.1	10.7	10.4	10.1	9.9	9.7	8.0	11.7	12.3	10.3	9.5
Industrial Vacancy Rate (%)<1>	4.7	4.4	4.2	4.0	3.9	3.8	3.8	3.7	4.4	4.9	4.5	3.9	3.6
New Commercial Building Construction (% Ch Value)	72.7	39.5	11.4	9.2	7.9	6.2	8.4	9.6	9.0	-4.2	39.8	15.1	9.5
New Industrial Building Construction (% Ch Value)	27.7	34.0	31.0	29.1	25.8	17.0	17.5	19.2	2.5	-25.7	17.8	26.8	17.2
FINANCIAL MARKETS													
Money Supply													
M1 (% change)(FED Target 4-8%)	6.3	3.0	4.9	3.8	4.5	5.2	5.9	5.1	6.6	11.0	6.6	4.5	5.4
M1 Velocity (% change)	4.5	5.9	2.3	2.8	1.0	-0.8	-1.2	1.1	-2.6	-3.1	4.5	2.1	0.8
M2 (% change)(FED Target 6-9%)	7.0	4.6	4.4	3.3	3.6	5.7	6.5	5.7	9.5	12.6	7.1	4.4	5.7
M2 Velocity (% change)	3.8	4.3	2.8	3.4	1.8	-1.3	-1.7	0.4	-5.3	-4.4	4.0	2.2	0.6
Monetary Base (% change)	9.7	3.1	6.8	5.7	5.2	4.9	4.6	4.8	6.9	9.5	7.9	5.5	5.3
Flow of Funds													
Supply (total)	398	425	423	426	429	432	439	433	212	280	409	432	445
Personal Savings	146	163	158	158	162	168	175	171	136	118	155	166	174
Savings Rate	5.7	6.2	6.0	5.9	5.9	6.0	6.2	6.0	6.2	5.0	6.0	6.0	5.9
Net Business Savings	118	119	117	120	115	110	107	104	29	76	115	113	103
State + Local Govt. Savings	54	61	61	61	59	57	55	55	33	44	57	58	57
Foreign Funds(current account deficit)	81	81	86	87	93	97	101	104	13	42	81	94	111
Demand (total)	363	334	417	429	227	312	413	423	167	325	388	346	330
Consumer Installment Debt(net change)	98	60	45	35	17	14	12	12	19	40	68	20	19
Commercial+Industrial Loans(net change)	50	61	48	51	43	45	39	26	23	-2	45	44	10
Home Mortgage Debt(net change)	117	86	82	83	74	71	75	77	-5	96	104	76	80
Federal Deficit	98	128	242	260	93	182	288	308	131	190	171	206	221
Selected Interest Rates (Percent)													
Mortgage Commitment Rates													
30 Year,Fixed-Rate	14.1	14.7	14.9	15.1	14.9	14.8	14.6	14.1	17.2	13.9	14.4	14.8	13.6
Real Mortgage Rate	10.9	11.1	10.8	10.4	10.4	10.3	9.5	9.0	12.9	10.2	10.5	10.1	8.5
1 Year ARM (without buy-down)	13.2	13.6	13.7	13.9	14.1	13.8	13.6	13.1	14.0	11.3	13.1	13.8	12.6
Real Mortgage Rate	10.0	10.0	9.6	9.2	9.6	9.3	8.5	8.0	9.7	7.5	9.3	9.1	7.4
Corporate Bond Rate (AAA)	13.2	13.2	13.4	13.6	13.6	13.5	13.3	12.9	13.8	12.0	13.0	13.5	12.5
Government Bond Rate	13.2	12.8	12.9	13.0	13.1	13.0	12.8	12.4	12.9	11.3	12.7	13.0	12.0
Real Government Bond Rate	10.0	9.2	8.8	8.3	8.6	8.5	7.7	7.3	8.7	7.6	8.9	8.3	6.8
Federal Funds Rate	10.6	11.5	11.7	12.1	12.3	12.2	12.0	11.5	12.3	9.1	10.9	12.2	10.6
3 Month Treasury Bill Rate	9.8	12.6	12.7	12.8	12.9	12.8	12.6	12.2	10.6	8.6	11.1	12.0	11.8
Real 3 Month T-Bill Rate	6.6	9.0	8.6	8.1	8.4	8.3	7.5	7.1	6.4	4.8	7.2	8.1	5.6
1 Year Treasury Bill Rate	11.5	11.9	12.0	12.2	12.4	12.1	11.9	11.4	12.3	9.6	11.4	12.2	10.9
Commercial Paper Rate	10.6	11.3	11.5	11.9	12.1	12.1	11.7	11.3	11.9	8.9	10.7	11.9	10.7
Rate on Money Market Fund Shares	10.8	11.5	11.7	12.1	12.3	12.3	11.9	11.5	12.1	9.0	10.9	12.2	10.8
Prime Rate	12.3	13.1	13.3	13.7	14.0	14.2	13.8	13.4	14.9	10.8	12.4	13.9	12.8

<1> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, and Dick Peach.